

## Message Text

SECRET

PAGE 01 QUITO 00033 040003Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----040055Z 061113 /73  
R 032335Z JAN 77  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC 2722  
INFO AMEMBASSY JIDDA

S E C R E T QUITO 0033

EXDIS

E.O. 11652: GDS  
TAGS: EINV, ENRG, PFOR, EC  
SUBJECT: GULF NEGOTIATIONS

REF: QUITO 0003

1. DURING MY CONVERSATION WITH THE FINANCE MINISTER YESTERDAY ON THE GULF INTEREST RATE PROBLEM (REFTTEL), HE TOLD ME "IN STRICTEST CONFIDENCE" THAT HE WAS ATTEMPTING TO BORROW THE MONEY REQUIRED TO PAY OFF GULF FROM THE SAUDIS. HE SAID THAT HE HOPED TO OBTAIN THE MONEY ON VERY FAVORABLE TERMS IN EXCHANGE FOR ECUADOR'S HENCEFORTH FOLLOWING THE SAUDI "CONSERVATIVE" LINE IN OPEC. SEVILLA SAID THAT ECUADOR HAD GAINED NOTHING FROM ITS MEMBERSHIP IN OPEC AND FURTHERMORE THAT HE PERSONALLY REGARDED THE INDEXING POLICY IMPLICIT IN OPEC'S PERIODIC PRICE INCREASES AS FUELING WORLD-WIDE INFLATION. SEVILLA WILL EVIDENTLY ENCOURAGE THE SAUDIS TO DEMAND GOE COOPERATION IN OPEC AS THE PRICE FOR THE EXTENSION OF CREDIT HE IS SEEKING INASMUCH AS HE IS NOT IN A POSITION TO OFFER ECUADOREAN COLLABORATION OFFICIALLY. SEVILLA HAS ALREADY BEEN IN TOUCH WITH THE SAUDIS ON THIS MATTER BUT DOES NOT EXPECT TO CONSUMMATE A DEAL UNTIL HE SPEAKS TO THEM PERSONALLY AT THE FORTHCOMING OPEC FINANCE MINISTER'S MEETING.

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2. I COMMENTED FAVORABLY ON SEVILLA'S PLAN. HE ACKNOWLEDGED THAT IT MIGHT BE DIFFICULT INITIALLY TO HAVE ECUADOR BACK AWAY FROM ITS ANNOUNCED DECISION TO IMPLEMENT THE 10 PERCENT PRICE INCREASE BUT THAT IF MINISTER OF NATURAL RESOURCES VARGAS IS REPLACED SOON BY GENERAL JAIME SEMBLANTES, AS MEMBERS OF THE SUPREME COUNCIL HAVE ALREADY INDICATED WOULD

BE THE CASE, HE WOULD BE ABLE TO WORK WITH SEMBLANTES ALONG THOSE LINES. (WE UNDERSTAND THAT ALTHOUGH ECUADOR HAS ANNOUNCED AN INCREASE OF \$1.15 A BARREL, THE INCREASE HAS NOT YET BEEN PUT INTO EFFECT.)

3. IF SEVILLA COULD PULL THIS OFF, IT WOULD BE QUITE A COUP INDEED. COUPLED WITH HIS LAST MINUTE INTERVENTION TO HELP RESOLVE THE GULF PROBLEM, AND ASSUMING HE CAN MAKE GOOD ON HIS PROMISE TO DO SOMETHING ABOUT THE ADA CASE, THIS SAUDI-OIL PRICE DEAL WOULD PUT HIM IN THE RUNNING FOR MAN OF THE YEAR--WEST COAST LATIN AMERICA BRANCH.  
BLOOMFIELD

SECRET

NNN

## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Review Markings:**  
Margaret P. Grafeld  
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